RILA
RETAIL INDUSTRY LEADERS ASSOCIATION
Retail's Future...Educate, Innovate, Advocate

1700 N. Moore Street, Suite 2250, Arlington, VA 22209
Phone: 703-841-2300 Fax: 703-841-1184
Email: info@retail-leaders.org www.retail-leaders.org

June 13, 2005

The Honorable J. Dennis Hastert
Speaker of the House
U.S. House of Representatives
H-232 Capitol Building
Washington, DC 20515
Fax: (202) 226-1996

Dear Speaker Hastert:

We are writing as members of the Retail Industry Leaders Association to express our strong support for the DR-CAFTA Agreement, and to urge you to vote in support of the agreement when the implementing legislation is considered.

The Retail Industry Leaders Association (RILA) is an alliance of the world's most successful and innovative retailer and supplier companies – the leaders of the retail industry. RILA members represent almost $1.4 trillion in sales annually and operate more than 100,000 stores, manufacturing facilities and distribution centers nationwide. Its member retailers and suppliers have facilities in all 50 states, as well as internationally, and employ millions of workers domestically and worldwide. Through RILA, leaders in the critical disciplines of the retail industry work together to improve their businesses and the industry as a whole.

Passage of this agreement will benefit both producers and consumers in this country, improve working conditions in Central America, activate critically important textile/apparel and footwear provisions; and enhance the legal framework for retail/distribution services.

Central America and the Dominican Republic make up the second-largest U.S. export market in Latin America, behind only Mexico. U.S. sales in the region exceed $15 billion annually -- more than is sold to Russia, India and Indonesia combined. This has been achieved in the *absence* of reciprocal trade liberalization. Upon full implementation of the agreement, U.S. goods will be able to enter the participating countries duty-free. In fact, 80 percent of the commercial goods will become duty-free once the agreement is implemented, with the rest phased out over a ten-year period.

In addition to increased benefits for U.S. exporters, U.S. importers and their customers will benefit from DR-CAFTA. Most Central American products already enter the United States duty-free. Enshrining this treatment in an international agreement with reciprocal obligations will provide added commercial security as well as a firmer legal basis under World Trade Organization (WTO) rules. This aspect of the Free Trade Agreement (FTA) is in effect a tax cut targeted to those consumers who need it most.

America's retailers are committed to careful supply chain management and high ethical standards of corporate conduct in international sourcing. Our experience with the DR-CAFTA countries has shown that they share these values and high standards. Their constitutions and national laws generally provide strong labor protections consistent with the International Labor Organization's core labor standards. Indeed, labor protections in these countries are largely in line with those in Morocco and Jordan, whose accession to the status of "FTA partner" gained overwhelming Congressional approval in recent years.

The DR-CAFTA will promote economic opportunities and growth that are likely to become powerful catalysts for improved working conditions throughout the region. Through capacity-building and dispute settlement, the DR-CAFTA will also address those circumstances where better enforcement of existing labor laws proves necessary.

U.S. consumers also win under the DR-CAFTA agreement and will benefit from several innovative provisions promoted by retailers to add needed flexibility to the outdated "yarn forward" rule of origin. Moreover, qualifying textile and apparel products are to be afforded immediate U.S. duty-free treatment, with effect retroactive to January 1, 2004.

Retailers are also interested in the health of regional textile and apparel producers, our valued suppliers. The DR-CAFTA is strategically designed to improve their competitive situation at a time when, following the expiration of global textile and apparel quotas, they face a formidable challenge from outside the hemisphere, most notably China. The DR-CAFTA will provide regional garment-makers – and their U.S. suppliers of fabric, yarn and other components – a boost in competing with Asian producers and will support an estimated 400,000 jobs in the DR-CAFTA countries and 700,000 jobs in the U.S. cotton, yarn, textile and apparel sectors.

In addition to benefits for textiles and apparel, there are significant benefits for footwear imports in the DR-CAFTA. A solid consensus in all segments of footwear manufacturing and retailing favors immediate duty-free treatment for footwear traded among the DR-CAFTA countries, excluding a few import-sensitive tariff lines. By delivering this outcome, the DR-CAFTA lays the groundwork for increased trade and investment in the footwear sector, supports retailer strategies designed to maintain geographically diverse sourcing options, provides substantial benefits to consumers, and poses no risk to U.S. footwear production.

And finally, for the first time in a trade agreement, the DR-CAFTA addresses restrictions on distribution created through restrictive dealer protection regimes. Such regimes are prevalent in Central America today and have locked U.S. companies and products into inefficient, exclusive and effectively permanent relationships with local dealers regardless of performance. DR-CAFTA rules would require dealer distribution agreements to permit parties to terminate at the end of the contract or renewal period without indemnification. These rules will promote more efficient distribution for U.S. companies and products in the DR-CAFTA region.

We urge you to vote in support of the DR-CAFTA Agreement when Congress considers legislation to implement this important agreement.

Sincerely,

Bill Rhodes
President and CEO
AutoZone, Inc.
Memphis, TN

Mary Kate Buckley
Vice President, Americas
NIKE, Inc.
Beaverton, OR

Brad Anderson
Vice Chairman and CEO
Best Buy Co., Inc.
Richfield, MN

Alan J. Lacy
Vice Chairman and CEO
Sears Holdings Corporation
Hoffman Estates, IL

Larry J. Franklin
President
Franklin Sports, Inc.
Stoughton, MA

Steven J. Douglass
Chairman and CEO
Payless ShoeSource, Inc.
Topeka, KS

Nick Cullen
Executive Vice President
Chief Supply Chain Officer
Gap Inc.
San Francisco, CA

Lawrence Stevenson
Chairman and CEO
PEPBOYS AUTO
Philadelphia, PA

Bob Nardelli
Chairman, President and CEO
The Home Depot, Inc.
Atlanta, GA

James Myers
Chief Executive Officer
PETCO Animal Supplies, Inc.
San Diego, CA

Alan Rosskamm
President and CEO
Jo-Ann Stores, Inc.
Hudson, OH

Philip Francis
Chairman and CEO
PETsMART, Inc.
Phoenix, AZ

Gregory A. Sandfort
Executive Vice President and General
Merchandise Manager
Michaels Stores, Inc.
Irving, TX

Sandra L. Kennedy
President
Retail Industry Leaders Association
Arlington, VA

Gregg Steinhafel
President
Target Stores
Minneapolis, MN

Joe Scarlett
Chairman of the Board
Tractor Supply Company
Brentwood, TN

Jim Wright
President, CEO and Director
Tractor Supply Company
Brentwood, TN

Kathleen Mason
President and CEO
Tuesday Morning, Inc.
Dallas, TX

Craig Herkert
CEO of the Americas
Wal-Mart International
Bentonville, AR